

Pooled Money Investment Board
Public Meeting
March 18, 2009

>> Good afternoon. Let's call the Pooled Money Investment Board meeting to order. May we have the roll call, please.

>> Yes, just before we do call the roll I want to mention to the audience that we do have the cards where you fill out your name and who you're representing as a speaker. You're certainly not obligated to do that, we're going to do our best to create an opportunity for as many people to speak that are interested in talking, but if you want your name spelled right in the minutes please go ahead and fill out one of those cards and we'll make sure that we properly note that you were here.
And I'm Bill Dowell with the State Treasury's Office. On the roll, for State Treasurer.

>> Francisco Lujano for State Treasurer Bill Lockyer.

>> State Controller.

>> Rick Chivaro for State Controller John Chiang.

>> Director of Department of Finance.

>> Thomas L. Sheehy here on behalf of Director of Finance Michael C. Genest.

>> We have a quorum, so move on to item 2. Approval of the minutes, do we have any revisions, questions?

>> I move approval.

>> I'll second that motion, Mr. Chairman.

>> We have a motion and a second for approval of the minutes, all in favor.

>> Aye.

>> Motion carries. Moving on to item 3.

>> Item 3 is the Pooled Money Investment Board designation. This month we have just a portfolio summary report before the board considered the designation, as of the end of February, the Pooled Money Investment Account had \$59,674,000,000 an effective yield of 1.837 percent, quarter to date yield of 1.963 percent, and a year to date yield of 2.503 percent, and the average life stood at 205 days. We had AB 55 loans approved of 11,891 million, with just over 6 billion having been disbursed. The Local Agency Investment Fund had \$24,341,000,000 in it, with 2,717 participants.

>> Any questions of staff? Hearing none, do we have a motion for approval?

>> I move approval.

>> Second that motion, Mr. Chairman.

>> We have a motion and a second. All in favor?

>> Aye.

>> That motion carries, moving on to item 4.

>> Item 4 is the authorization for General Fund internal borrowing. And to remind the board, historically this is a document that's been presented to the board for approval every three months. At the suggestion of the department -- of the iDirector of the Department of Finance, we've begun to do this on a month-by-month basis. The document that you have in front of you would be effective today and go through the end of April. It also has a footnote which was very important, if you'll remember from last month's meeting, that makes reference to the budget trailer bills. So again, the document authorizes the general fund to borrow from the internal services to meet its cash needs during periods of shortfall. It will be from March 18th, 2009, through April 30th, 2009, and an amount estimated to be available from various internal funds is up to \$18,945,000,000. Again, you'll be reconsidering this document each month going forward.

>> Okay, I have a question, Mr. Chairman. So the reason why we're doing the six weeks this time instead of the one month is in order to pick up some additional money that was made available through trailer bills, for some additional flexibility?

>> That's correct.

>> Okay, thank you.

>> I would move approval, Mr. Chairman.

>> Second.

>> We have a motion and a second. All in favor?

>> Aye.

>> Motion carries. Moving on to item 5.

>> Item 5 are the surplus money declarations. In your briefing binders declaration 8 and the declaration of surplus money is presented as \$7,171,714,500, and the reduction of

surplus money is presented as \$6,168,857,000, and you have a detail attached that breaks it down by fund number.

>> Question? Hearing none, do we have a motion for approval?

>> Move approval.

>> Second.

>> We have a motion and a second. All in favor?

>> Aye.

>> That motion carries. Moving on to item 6, which I believe there are no requests.

>> That's correct.

>> Moving on to item 7.

>> Good morning, Mr. Chairman. Or good afternoon, I should say. Members. I'm Blake Fowler with the State Treasurer's Office, I'll be presenting item 7 for your consideration. I wanted to mention that at the back of the room we have a staff report available for members --
Can you hear me now?

>> Blake, I think you might be able to pull it right out of the holder, you can just -- you might be able to just do this.

>> You know, if only we had given that Pooled Money Investment loan to the Secretary of State to upgrade their audio visual we might not have this problem, Mr. Chairman.

>> Is this one on? All right. Was mentioning that we have provided a staff report for members of the audience, it's at the back of the room. The staff report has also been posted online at the Treasurer's internet website.

Before we get into our recommendation, I wanted to provide you with an update on our upcoming bond sales. Next Wednesday, the State Treasurer's Office is planning a tax exempt General Obligation bond sale, we're targeting a sale amount of approximately \$4 billion. If that sale is successful we will utilize approximately \$3.83 billion of proceeds to pay down outstanding AB 55 loans that are eligible for tax exempt financing. To the extent there are proceeds in excess of 3.83 billion, we will use those funds to provide direct up front financing of projects as opposed to funding them through AB 55 loan proceeds.

We're also exploring the possibility of a second large taxable general obligation bond sale toward the latter part of April. Proceeds of that sale, if completed, would be utilized to pay down approximately \$1 billion of taxable AB 55 loan expenditures for general obligation bond programs. Proceeds above that would be used to provide direct up front

financing for taxable GO bond projects that have been impacted by the AB 55 loan freeze.

And then finally, for projects that are eligible for tax exempt financing, we are looking at utilizing a new program that was created by the recently enacted economic stimulus program. Build America bonds program, projects that are eligible for tax exempt financing –

>> Hold on, Mr. Chairman. I apologize, Mr. Fowler, I think we're having audio problems.

>> Yes, we have another microphone here.

>> For projects that are otherwise eligible for tax exempt financing there is a new program that we would utilize or look to utilize called the Build America bonds program, and under that program you can make an election to finance those projects on a taxable basis, and then receive a rebate from the federal government representing 35 percent of the interest costs of those bonds for the life -- for as long as those bonds are outstanding. To the extent that our proceeds in excess -- from these two sales that are in excess of the amounts needed to pay down AB 55 loans, we could provide direct up-month financing for projects that have been impacted by the freeze. To the extent there are such proceeds we will consult with the Department of Finance on financing those projects.

In addition to the two general obligation bond sales we are working with the State Public Works Board to complete two sales during the month of April. Those two sales would result in the repayment of approximately \$389 million of disbursed AB 55 loans, and provide project financing that would enable the projects to be completed.

That's my update on the upcoming sales. I'm happy to answer any questions before I get into recommendations.

>> Thank you, Mr. Chairman. Mr. Fowler, thank you for an excellent report. What are the chances we'll sell more than four for the tax exempts?

>> We're going to do our best. We'll see what happens next week.

>> Okay, thank you, Mr. Fowler.

>> In terms of our recommendations for the disbursement freeze, we recommend that you continue the disbursement freeze on AB 55 loans, with two exceptions. One is the remaining amount of the 650 million that was authorized at the January 16th meeting, and that the remainders of the authorized 650 million continue to be disbursed in accordance with the Department of Finance's January 23rd, 2009 budget letter. And then second, we are recommending that an additional \$500 million of funds be released upon the successful sale of \$4 billion of general obligation bonds next Wednesday.

We recommend that \$500 million should be disbursed based upon a determination to be made by the Department of Finance of which disbursements have the highest priority and/or are in the state's best interests.

Second, we recommend that you have a special meeting to consider an analysis of additional funds available for AB 55 loans, and we're recommending that you hold a meeting during the week of March 30th.

We recommend that you request the State Controller's Office and the State Treasurer's Office to provide a recommendation regarding an additional amount of funds that could be made available for AB 55 loan disbursements after the proposed GO bond and lease revenue bond sales are completed.

At that meeting we also recommend that you request the Department of Finance provide a plan, including as priorities for the restoration of funding for projects which have been subject to the disbursement freeze, as the PMIB makes such funds available for restoration.

Regarding the loan renewals on today's agenda, we recommend you approve the renewals in the amounts shown on column G of Exhibit A to your staff report.

And finally, there are three new loans that are on the agenda. We recommend that you postpone the consideration of those three loans until a future meeting. That's it.

>> Any questions? Comments?

>> Yes, Mr. Chairman. Mr. Fowler, I'm sorry, did you say you think the closing date on this first bond sale was going to be next week?

>> We'll be selling the bonds next Wednesday, the closing date will be approximately one week later.

>> So when is the –

>> We'll have the commitment for those funds next Wednesday.

>> Okay, so I know we don't want to jump the gun, but today is what, today is the 18th? How soon can we calendar the next meeting?

>> We're looking at Friday of the following week.

>> The 30th?

>> Yes.

>> Any chance we can do that on Thursday the 29th?

>> We could explore that option, and if it's not possible, it's not possible, but if it is possible, we'll –

>> I don't mean to be redundant. Look at the 29th as a possibility.

>> Yes.

>> Because I know there were other meetings going on on the 30th, and I suspect the next time this board meets there will be a lot of interest in the meeting.

>> We were looking tentatively at the Friday of the week of March 30th.

>> Look at the prior day. Thursday, March 29th. If that's possible, would just like you to take a look at those as a possibility.

Well, Friday is the 30th, isn't Thursday the 29th?

>> Friday is April 2nd.

>> Oh, I'm sorry. I apologize. Well, it's good to know that deputy of finance can read calendars. You said it would close on the 25th.

>> That's the pricing date, it will close a week later. We're recommending having a meeting on the Friday of the week of March 30th.

>> After it closes.

>> The day after.

>> I apologize, I thought you were talking about the last Friday in March, you're talking about the first Friday in April. All right, thank you. Sorry about that.

>> Any other questions?

>> Mr. Chairman, is your intent to take public testimony before we get to a vote on this matter?

>> Yes, there are quite a few people who would like to speak, so I think we should probably hear public comments before we vote.

>> Thank you, Mr. Chairman.

>> So you have public comments, there are -- well, actually one microphone now, so you're welcome to step up, please state your name for the record. There were cards handed out, but if you haven't filled one out you can still come up.

>> Testing. Okay. Good afternoon. My name is Terry Corwin, I'm executive director for the Land Trust of Santa Cruz County. We have \$15 million in frozen projects, and 137,000 in unreimbursed reimbursements due under grants that are creating a cash flow problem at my organization, potentially leading to layoffs. And I'm here to ask you to consider, as you go about your triaging of funding projects, that you put reimbursements of already expended costs to the top of the list. Thank you.

>> Members of the board, my name is Karen Christiansen, I'm the executive director for the Resource Conservation District in Santa Cruz County. Thank you for this opportunity to speak today.

I just wanted to give you a brief overview of sort of the impacts of the last three months as it relates to primarily water quality, water supply and habitat improvement in Santa Cruz County. We're looking at for my organization alone we issued 26 stop work orders on December 18th, the day after we received notice of your December 17th meeting. That impact has stopped 41 construction projects, infrastructure projects for culvert replacements, wetland improvement type projects, endangered species priority projects. Moving forward in 2009 we're looking at, my organization alone, over \$2 million in unpaid reimbursements that was for work completed prior to December 17th. We've been spending most of our time dealing with our small contractors, our family owned businesses that are really in desperate states. They're trying to initiate lien proceedings, they really don't want to do that, but they are really hurting on how they can pay their bills.

So in terms of grants, I'd like to at least provide some information it's not just about programs, it's about in the ground projects, and we have construction projects where performance bonds are being called into question, and we're really, really in trouble at the local level.

Regarding the impacts in terms of going forward, with the freeze we're not able to utilize the funds that we have now to do the critical design in CEQA and permitting work necessary for us to be competitive for the economic stimulus package, and ostensibly it's cut off our ability to do green infrastructure projects in 2009.

Regarding what we're doing locally to try to get around that, and try to problem solve because we understand the state is in crisis, we've put together a list and identified \$55 million worth of water quality, water supply and habitat projects that are impacted by the freeze in Santa Cruz county alone. Out of that 55 million, 12 and a half million is for reimbursements owed.

That's the huge impacts of our local economy. We're trying to look at opportunities like the private placement bonds and certainly appreciate those opportunities coming to the forefront. But anything you could do to prioritize reimbursements would be a huge help just to allow us to get rid of the liabilities on our back and allow us to look at options going forward. Thank you.

>> Good afternoon, members of the board. I'm Lisa Silverman, I'm representing Mr. Rob Cook who is executive officer of the State Allocation Board. As you're probably aware, the State Allocation Board members sent a letter to the PMIB on March 5th, in which they formally requested that the PMIB consider releasing funds first to the schools construction projects that were caught in the infrastructure freeze.

The State Allocation Board has apportioned \$2.4 billion that represent 849 school construction projects for 250 school districts. The freeze on the projects has resulted in projects being placed on hold, contracts that have been canceled, or work stoppage. With that, the school districts are at substantial risk of facing financial penalties, and even insolvency.

88 of those initial projects represent 439 million for school districts that have financial hardship status that rely 100 percent on state funding to proceed on school construction.

5 of those projects represent 22 million for health and safety issues that pose immediate risks to school children. Next week the state allocation board will be holding a meeting on March 25th to be discussing funding priorities and we are hopeful that a resolution of those funding priorities will be made by state allocation board, and the SAB will be providing a list shortly of those funding of those priorities of those projects. We'd like to thank you today for your consideration for going out and assessing the bond market and having the ability to put those bonds on the market for sale in the upcoming weeks. We appreciate the PMIB's consideration to provide priority funding to those school construction projects. Thank you.

>> Good afternoon. My name is Jonathan Klein, I'm a vice-president with Union Bank of California. I'm here today representing Union Bank because of our deep concern about the freeze on the multifamily housing program funds.

Union Bank currently has committed construction funds of almost \$130 million for affordable housing projects, where MHP is the bank's repayment source. The MHP program was designed to save the state from construction risk, so banks like Union Bank have taken on that risk to finance the construction of affordable housing. We took on that risk by convincing our credit committee that the state was a reliable partner and would be there at completion to repay the bank.

In 2009, Union Bank will need approximately \$27 million in MHP funds to be fully repaid. We will need another \$19 million in MHP funds in 2010. Absent those funds or other sources, the bank will be filing notices of default on these projects.

I want to take a brief moment to describe what will happen in that event. We anticipate, by the way, that although I'm only speaking to Union Bank's exposure, approximately 260 million is needed industry wide to avert this. The projects will suffer. In the worst case scenario, if the only way for the bank to be repaid is to foreclose on the property, in some cases the affordable restrictions will be wiped out. Projects will convert to market rate, and affordable units will be lost at a time when affordable apartments are desperately needed as the economy worsens and unemployment rises. Construction jobs will obviously be lost.

Second, the nonprofit developers will suffer. Typically these loans are kept current with an interest reserve. Once that interest reserve is extinguished and used up, developers need to come out-of-pocket to keep the loan current.

Some developers can afford to do that, others can't. And there will be tremendous stress on the nonprofit developers that are an engine of affordable housing development in California.

Third, the system of public dollars leveraging private capital will suffer. We bankers report to credit committees that guide and restrict the deals we do. We have convinced them that we should stretch our typical lending criteria because of the premise that the State of California is a sound, reliable counterparty. If these deals go into default, that trust will be ruptured and our credibility within our institutions will be shot. It will make it exceedingly difficult to reinvent that structure of public-private partnership, and mobilize new private capital to fund affordable housing.

So we are formally asking the PMIB to set aside sufficient proceeds to honor all, all, existing MHP commitments so that we can continue this vital partnership to provide affordable housing to Californians most in need. Thank you.

>> I have a question of the public, Mr. Chairman. I'm sorry, sir, I didn't catch your name

>> Jonathan Klein.

>> Mr. Klein, I assume that you are -- you or the appropriate people at Union Bank and the other institutions that are lending are in close contact with the Housing and Community Development which oversees a lot of these multifamily housing programs.

>> Yes, sir, we are.

>> You were quoting some specific figures like the minimum amount that you needed in '09, and '10 for your institution. For your company.

>> Yes.

>> So I'm assuming that you're working with HCD as things evolve so that we would know exactly what was needed in the event those funds free up?

>> Yes, sir. We have actually a group of lenders who are very active in the affordable housing space have met with HCD to make sure there's a clear understanding about what the bank's exposure is both this year and next industry-wide.

>> Thank you, Mr. Klein. Thank you, Mr. Chairman.

>> You're welcome.

>> Thank you very much for this hearing, and allowing us to speak. My name is Bonnie Oreshur, founder and director of Life Frames, Inc. and a Living Library. Life Frames, Inc. received a contract from the California Department of Forestry and Fire Protection along with grants for \$84,980 to plant 500 California native trees with related costs for phase one of the living library nature walk in Bel Heights, San Francisco, as a positive way to offset some of the negative impacts of climate change. Nature walk will link multiple open spaces, parks, streets and schools leading to the Islais Creek. This phase of the nature walk is the beginning of the connection of the entire Islais Creek watershed in San Francisco which links 9 identified communities in southeast and southwest San Francisco, and affords many additional ecological and multicultural opportunities which are part of future phases.

Phase 1 partners include San Francisco Recreation Park department, San Francisco Housing Authority, San Francisco Department of Public Works, San Francisco Public Utilities Commission, San Francisco Mayor's Office of Greening and Neighborhood Services, local schools, and community neighbors.

We have successfully planted 100 trees and are poised to continue planting the remaining 400 trees when our grant money is released.

Additionally, this contract is set to expire on March 31st of this year. We need our work to proceed, and request the date be extended until at least the end of December, 2009, as

we need the next rainy season to complete planting. If the grant is extended only until the end of this fiscal drought year we could lose many trees due to lack of winter rainfall. Additionally, we would like to be reimbursed for outstanding funds spent of over \$13,000. Thank you for your assistance.

>> Good afternoon. My name is Jacque Pelum, I'm with Bridge Housing in San Francisco, California. We're the state's largest nonprofit affordable housing developer. I think Mr. Klein of Union Bank did a wonderful job of summarizing the state across the affordable housing community with regard to MHP funds and the effect it's having on moving deals forward. Basically, Bridges is asking and recommending that not just the PMIB but the Department of Finance and each city work together to find some solutions to these problems, and one of those solutions that we're looking at is using federal stimulus money to either backstop guarantee or bridge loan these MHP moneys. And we're working with Director Pavao and Treasurer Lockyer recently, but we just want to keep stressing the importance of finding the solution and working having the agencies work together. The short term solution may be using the federal money to bridge the MHP money, then finding a long-term solution, or at least working a plan that can be made publicly so the banks know what's going on, so we know what's going on, and things can start to move forward. I've brought a letter here signed by our Bridges CEO, Carol Galante outlining those principles, and I'd like to deliver that to you. Thank you.

>> Thank you. My name is Rich Gross, I'm vice-president of California Initiatives for Enterprise Community Partners. Enterprise is -- has 25 years of experience in affordable housing community development, and we are the leading provider of affordable housing capital. We invest over a billion dollars a year. We are also the largest investor in low income housing tax credits in the country in 2008, and I believe we are the largest investor in tax credits in California as well.

We do that almost exclusively through our nonprofit partners throughout the state. Among those, with those partners, we have 19 projects with MHP funding, either under construction or in lease-up. MHP total is \$87 million, we have \$155 million committed to those projects, as well. The total investment is \$388 million in those projects, so the leverage is very strong for MHP dollars.

The economic crisis hits all of us, as everyone here knows, but it hits some people harder than others. MHP projects provide housing for homeless, for seniors, for families, for individuals with mental illness, and much of the time with much needed services. They stabilize neighborhoods and they're very critical to the health of California.

The delay, as you know, as constructional interest to the projects, and will strongly affect the capacity of our nonprofit developers in affordable housing that we depend on to create new projects. So I would urge you to fund as much as you can of MHP funding and help get these projects going. Thank you.

>> Hi, good afternoon. My name is Chi Chang, and I'm the founding principal of Kipp Academy of Fresno. We're a charter school in Fresno, California, part of the nationwide network of Kipp schools. The mission of our school is to provide high quality education for mostly low income minority kids, we have 300 students in the fifth through eighth

grades. I came up here today from Fresno with a couple of parents and the reason we're here is because this is a phenomenal school, its 850 API school. This last year we were named a Title One distinguished school, second highest performing middle school in the district.

Five years ago we were approved for prop 55 state charter schools facilities grant, just about 4, \$4.1 million, and knowing that we would not receive those funds immediately, we received a \$2.3 million bridge loan we used to purchase our facility. We have since defaulted on that bridge loan, and in January of this last year we went into foreclosure on our building. And the reason for that is because of the prop 55 funds, which are frozen at the state level. If those funds are not unfrozen the school is going to be kicked out of the building and the school is going to close at the end of this year.

And it would be very sad and tragic for the 300 kids at our school.

So I guess I'm just telling you what you already know which is that this is a crucial point and decision for you. And your decision here is going to impact a lot of lives.

And I guess my question for Mr. Sheehy is -- I'm not sure if this is a forum for questions? Of the \$500 million that are going to be disbursed in emergency funds, how is the department of finance going to make that determination?

>> Well, that's a good question. I think that we're going to have to wait and see how the treasurer does with those bond sales. Can everybody hear me in the back? I -- passed a note saying there was some people having a hard time. The question is how the prioritization would work. We're going to of course wait and see how the treasurer does, to see how much funds if any in fact are made available for additional disbursements, and our staff is working now on a valuation created with different criteria, things like health and safety, how much federal funds, any stimulus money that may be contingent upon immediate action, entities that may be on the verge of going into insolvency, other hardship type cases. We're going to look at all that and come up with a decision-making criteria that will help us make those decisions. But to try to lay that out today I think not only is premature, but we're not done, so I'm simply not prepared to do that.

>> Thank you so much.

>> Certainly.

>> Thank you, members of the board. My name is David Simpson, I represent the Association of Conservation Contractors and Workers. We do conservation, environmental restoration, I'm from northwestern California. And I will not argue here that environmental restoration or the health of our watersheds is more important than our schools or affordable housing or a number of other important enterprises that are impacted by the freeze. But I will argue until I'm blue in the face that they are as important. And our contractors have been badly impacted by the freeze. What's more, they are in -- the lack of payment of invoices, and retained percentages, is causing a major hardship to the point where some of these organizations will simply not be around to spend the stimulus money when it finally comes. So that is most important. In the valley where I live, the Mattole Valley, restoration has become the major employer in the valley. Timber industry and the salmon fishing industry are largely gone now, for

the very reasons we're doing the restoration, and the impacts on the valley will be considerable.

Right now our little group is owed \$500,000 in back invoices and another \$100,000 retention. This is a huge amount of money for a small amount of profit, so I'm advocating that we think seriously about repaying the obligations that the State has. I know it's difficult, but please put that into your priorities. Thank you very much.

>> My name is Jack Elwinger, and we would like your consideration for priority franking with the emergency funds, we have really been whacked badly in Big Sur. We had a fire, as you know for sure last year that consumed a quarter of a million acres, and wiped out a lot of habitat and closed state parks. And that happened at a time when we were -- well, our state park, our principal park there, which is really the hub of our -- and the engine of our economy in Big Sur, which is the Pfeiffer Big Sur State Park, there was a project that was initiated, it was underway, that was going to realign the entrance and create a new bridge into the campground. And then after the fire there was an awful lot of concern by the county office of emergency services that there would be very bad debris flow and mudslides down through our canyons, and would present great danger to all of our community. Particularly in the state park, because of two bridges. And so those bridges were removed. With the thought that the new bridge with the renovation project, that the funds we're talking about here today, that we would like to have you consider the priority, would be built, and that the park would be back open. And business would be, you know, resumed this summer.

But now because of the freeze, that new bridge just stands like an open wound, and it's almost as traumatizing to our community as the fire was.

This park affects about 400 jobs in our community, and about 1 and a half million dollars a month in income from the park. And the project that we're talking about is -- I don't know how much of these funds were encumbered, but was less than \$4 million. And so we hope you will consider the economic impact of this issue on our community, and it would really be money well spent if you restored those funds, and we appreciate your consideration.

I put in a letter to Mr. Dowell -- thank you very much.

>> Jonathan Clay on behalf of the County of San Diego, three points I'd just like to briefly bring up. First, like many of the entities here, we've all had projects that have been impacted by the bond freeze. In our case, housing projects, parks, restoration, even public safety as relates to clean beaches and ocean water monitoring program.

I think we'd like to see some sort of -- as it comes to the prioritization of repaying -- trying to repay those projects that have already expended money that have been approved, sending that money back out the door to replace the coffers.

Secondly, as we move forward in this process I know there's a lot of uncertainty with how the bonds will do, but trying to get some idea of the time frames for projects that may not have actually started yet, that have money committed to them. When -- if it's possible, having some time frames laid out of when we can expect to maybe move forward with some of those. Because from a local government perspective we're also trying to plan how we're going to approach these, whether there will still be state dollars

available, whether we have to start looking for other funding sources. So I think that's something we'd like to try to get some clarification on.

And finally, third, some of the projects are very close to completion, and local governments have considered trying to use local money just to finish it off, because of the costs of stopping the project, restarting.

And there's a concern about whether if we do such an action, that we might prejudice ourselves in terms of getting reimbursement. We'd like to also see whether it's through this venue or the legislative venue some sort of clarification that if we have a project that's going to be stalled for a year and a half and we want to spend our own money to complete it, that we don't necessarily hurt our chances of getting eventually reimbursement. So thank you very much.

>> A comment, Mr. Chairman. I think one of the questions that you asked was some sort of degree of certainty on when funds may be released for new projects, projects that haven't been started.

>> Right.

>> And I, first of all, I don't have a crystal ball. And I wish I did. You know, none of us know for sure what the capital -- how the capital markets are going to react. I mean, I think we're all pretty confident we're going to sell bonds this month. But we don't know what's going to happen in the future. And I think it's important to note for the record, and for those present here, that there are billions of dollars in work that's already been done, in different areas, in multifamily housing, parks, restoration projects, school facility programs, schools that have been built in different school districts, transportation projects, flood control projects, all sorts of public work projects there's a lot of work that's gone on. For which bills haven't been paid.

And so while I said earlier that it would be premature for me to comment on how we're going to go forward if the money comes out in dribs and drabs, I think it's really important to note that, you know, we have to look at the bills for money that we already owe, for work that's already been completed. For those contractors, and those institutions and facilities that are in extreme financial hardship as a result of being frozen out.

And like I said, you know, we are still working on our plan, but certainly that has to be a major consideration.

So I just -- I'm just not sure it's realistic to start trying to predict at what point we can do that. You know, we're going to have to see how the state finances continue to evolve.

And we had a disturbing report last week by the legislative analyst, although it wasn't shocking, and so our budget situation is being reevaluated. I'm sure the treasurer is continuously evaluating our opportunity to access the capital markets with the different instruments we have available, so we're all working really hard.

But I just -- I just don't think we're in any position to make predictions about when we'd start releasing funds in the future for brand new projects starting from scratch.

>> Thank you, actually that answer is very helpful, so I appreciate it.

>> Good afternoon. My name is Matt Pachran, I'm really here representing Father Joe Carroll who couldn't be with us today, but on behalf of Father Joe's Villages I want to put a little face to the issue this is 16th and Market project that has \$10 million of MHP funding in it that is scheduled to convert later this summer. Mr. Klein explained it very well. This is one of those projects that is -- those scenarios that Mr. Klein described. We face two, both dire choices in this. If the loan cannot convert this summer, we are looking at one of two scenarios. Either we pay the interest, which is about \$180,000 a month, in the project, for a nonprofit housing developer. Or we don't pay the interest, and we lose the housing, perhaps, to these people that are in the picture that are calling it their home.

This year San Diego City declared a state of emergency as it relates to affordable housing. I don't think anybody wants a completed project with people residing in the project, actually two just from Father Joe's Villages, to be lost in the process. So I really urge you to keep those projects that are already homes to people losing those projects. Thank you very much.

>> Good afternoon. My name is Steve Haslam, I represent RGW Construction.. Currently we have a project with the Department of Corrections and Rehabilitation in Tracy, California, at the Deuel Vocational institute. We are constructing a new wastewater treatment plant at the site. Currently the state is under a cease and desist order for the existing treatment plant because they don't meet effluent standards. This new plant will provide the latest technology to treat the effluent and meet all the current standards.

We've been shut down out there since December 19th, I had to lay off approximately 20 to 30 hourly union employees that are now collecting unemployment. I've got a staff of 6 people out there on standby waiting for the reinstatement.

We also are owed approximately \$3 million by the State of California, we've not been paid since October of last year. Of that \$3 million, the majority of it is owed to various vendors and other subcontractors who are much smaller than us and cannot afford to finance this much longer. I get called almost daily pleading with me to pay them some money, because they can't afford to go beyond March without financial difficulty. So I urge you to release some funding to get this project back on track, and create some jobs. Thank you.

>> Sorry, Mr. Chairman, I have a question of the public.

Have you provided the specifics on that particular project? We're particularly interested in projects where there's jobs that are -- could be directly turned back on. Do we have the specifics of that project, have you supplied that either to this board or to finance?

>> No, I have not.

>> I would urge you to do so, so that we can keep track of that.

>> Thank you very much.

>> Good afternoon. Merle Malakoff, Citibank Community Development. We're the affordable -- I'm sorry. Start again, Merle Malakoff, I'm vice-president with Citibank in their affordable housing lending group. Here to augment the comments from Mr. Klein, who presented a little bit earlier.

We also have a very large pipeline of projects that we're financing the construction based on reliance on the State's commitment to repay those loans upon completion. Those projects range everywhere from starting construction, not yet funded, for which we're questioning whether or not we should advance proceeds or if we should not jump in, in which case the project would come to a screeching halt.

To those that are complete, and we're waiting for repayment now, which are putting extraordinary pressure on the developers either to keep going with their construction interests, or who are at risk of losing their rate law for the permanent loan because of the delay in the timing of the funding.

So I'd like to -- we are, with Union Bank and other major commercial lenders involved in affordable housing finance, working closely with the state housing agency to be clear on what the repayment needs are for the construction projects that we have.

Because I want to underscore another point, which is that the time -- the payout from the state to repay those bank loans, I don't think is really significant. It's, you know, a couple hundred million over the course of the year, I know you're talking about 4 billion in this first issuance, so we urge you to think strong about maintaining the partnership with the commercial banks.

And that leads to my second point, which is there's a slug of money that's coming to the treasurer's office from the federal government for purposes of stimulus, job production, that's going to the taxpayers allocation committee. And we have projects that are currently ready to close, start construction. We won't start construction until we see some more reliable performance from the State on the repayment. So the timeliness on the current repayment is critical, I believe, to the success of your efforts and the efforts within the state to take full advantage of the funds being provided from the federal government to advance new construction and create new affordable housing. Thank you very much.

>> Good afternoon. My name is David Schnur, I'm director of housing development for Community Housing Partnership in San Francisco, we're a nonprofit developer of affording housing. You've heard from lenders and investors in affordable housing talk about their roles in financing affordable housing and their reliance on the State's commitment of funds in order for them to put their funds into projects, and the potential effect on projects on developers.

We are one of those developers. Citibank in fact is a construction lender on one of our projects, and we are looking with trepidation about our timing and ability to repay their loan because we are relying on the multifamily housing program to enable us to repay that loan.

Another place where the delays in bond financing are affecting us and the fact that the state is no longer by the banks considered a reliable partner, is in attracting new financing. Jonathan Klein from Union Bank mentioned this.

We are currently seeking commitments of construction lending on a project we have in development. We are having a very hard time finding banks that are willing to commit construction lending because they're concerned about the reliability of the state.

We have a \$10 million multifamily housing program loan which we expect to take out construction financing. Construction lenders need to know that's going to happen.

So what happens if we can't get a construction loan? We can't start the project. If we can't start the project, we can't build the housing.

Community Housing Partnerships housing is all supportive housing. Everyone who lives in our buildings was homeless before they entered our housing. If we can't build 120 units of housing in this project I'm mentioning, we cannot provide housing to 120 people. 120 people are on the streets, or 120 people are in homeless shelters because we can't build the building. I think as we talk about the finance it's important to talk as well about the human impact, and the effect that delays in financing could have on the projects.

So please, as you prioritize, and I know you'll be considering this at a meeting early next month, please give emphasis to honoring commitments to the multifamily housing programs and other affordable housing programs. Thank you.

>> Greetings. My name is Mark Anthony, I'm also affiliated with CHP project.

Six years ago to this day, I was homeless. And thank God, with the CHP, with affordable housing, people like me are able to have housing. And without the projects being funded there's a lot of other people out there that need affordable housing, as well as jobs. So, just trying to put icing on the cake.

>> My name is Richard Geinger, I've worked since 1979 in watershed restoration of Mattole Valley, South Fork Gill River, and coastal watersheds, and I want to give a couple aspects to what David Simpson talked about from the Mattole Restoration Council. Some of the work that is not able to be done now because of the frozen funds are fuel hazard reduction program along roadways and houses, and also sediment reduction program on roads in the valley. I wanted to mention two landmark projects that have been adversely impacted and virtually stopped because of this freeze.

One is the so-called program -- timber and environmental impact report in the Mattole Valley. It's not just a report, it's a program whereby the environmental concerns are taken into account so individual landowners can have a cheaper, more -- required permit so your environmental concerns are taken care of, but the burden on the small landowner to actually economically and soundly steward their land is possible. That project has been stopped. It's a real positive step for the State of California to have that kind of an approach.

And the second landmark project is the one in the Usal redwood forest, the Redwood Forest Foundation, Incorporated, got a \$65 million loan from the Bank of America two years ago for 500,000 acres to bring under stewardship a badly depleted land for community based forestry. One of the important parts of that, to enable that forest to be both protected from development, and to recover, as a conservation easement, that's been stopped. Not only has it been stopped because of the bond funding freeze, but even the very appraisal, the first step in that, has been stopped.

So I know there are lots of priorities, but I'm describing to you two important projects for actually the future generations and the stability in communities that are underemployed. Thank you.

>> Good afternoon. My name is Nancy Steele, I'm executive director of the Los Angeles and San Gabriel Rivers Watersheds Council. We have \$2.3 million in 7 grants that have been stopped, and we're owed \$268,000 by the State.

We have paid our contractors, our subcontractors, on time. We felt that was important to do, and we were able to do it. But now we're in the position of holding the bag for the state of California.

The reason why I'm here today, however, is I wanted to make a request of you. One of the things that would really help us is if we had a guarantee in writing that the State is good on its contracts. And I know that there is a feeling expressed by Department of Finance that that guarantee exists in the form in the two budget letters and the attorney general's informal opinion. But that has not been sufficient for us to take to one of our major partners on a major construction project, which would seek to -- well, which would result, when it's finished, in augmenting Los Angeles's drinking water supplies by helping to fill up our ground water basins. And that partner is the City of Los Angeles. And before they will restart construction, they want a guarantee that we will eventually be repaid, so that we can repay them.

In addition, we are looking to get bridge financing or a line of credit. Our bank has told us, Union Bank of California, has told us even though we've had a long history with them, that they're just not quite sure that those receivables that the State of California owes us, that they're good.

And so again, having an opinion or another budget letter from Department of Finance, stating that California does intend to pay for those grants, once we -- once they're able to, that would help us both with loan financing and the ability to restart construction on an important project that would reduce flooding and increase our local water supplies in LA. And of course, have the end result of reducing the pressures on the delta. And we need that water badly. Thank you.

>> Hi, good afternoon. My name is Liz Tracy, and I work for JP Morgan Chase. Like many of my colleagues in the room here today, I'm an affordable housing lender and a number of our projects have been frozen in terms of repayment because of the freeze in the State of California bond funds.

A couple of points I would like to make is a lot of projects that are done in the state of California are just done with state funds. What happens with our projects is they're done with many other sources of funds in addition to the state. So a delay in getting repaid doesn't just cause a delay in the project, it causes a foreclosure of the project and a loss of all those units to market rates.

A great many of these projects have been funded with other public sector funds that have come in during construction, like our loans have, and those funds would be lost because the units would have converted just to a straight market rate project, which is obviously something we all want to avoid.

The other point I want to make is unlike a lot of other real estate projects, you know, we can still stay alive during this economic downturn because there's still demand for

affordable housing out there in the market, if we can keep this program flush and healthy and have the funds paid to us timely. So thanks a lot for listening, and hope we can get an answer soon. Thank you.

>> Good afternoon. Mr. Chairman, members. Tom Duffy for the coalition for Adequate School Housing. You're probably the most popular grief counselors in the state of California today, very seriously listening to all of our concerns. A couple of points from CASH representing schools. One is we are frequently known as a nation of laws. In California we're a nation of some laws that are basically suspended. One of those happens to be the -- I guess we consider it suspended because nobody has tried to activate it, in that the allocation board is not delivering funds. We could be at level three developer fees, which is something that CASH has not push forward for because it would have a more negative impact on the economy. So we're trying to be patient with that. A second, as I've noted before, and I think maybe at the last meeting, that state law identifies that if a school district enters into agreements for contract services to build buildings or modernize facilities, relying upon the State that it's providing information that it has indeed entered into that contract, the State by statute is supposed to, it's a shell, fund the projects. So we're suspended there as well.

Mr. Sheehy, you and I have conversed many times about wanting to bring solutions not simply problems to authorities. So I would propose at least on the school side, I don't think this necessarily helps others, but on the school side there's a provision of statute that would allow the allocation board to offer additional funding for excessive cost hardship. I propose that that be looked at, Mr. Sheehy, by the Department of Finance in concert with the Office of Public School Construction, in that we believe that districts may be helped by allowing districts, through some action of the allocation board, to borrow funds to continue their projects. As you and I were talking before the meeting, there's about \$1.3 billion worth of school projects under construction in California. So if districts could rely, at least some of them could rely upon the ability of the allocation board to fund their loan generation and interest costs that may be a bridge to help them. Now, I know that I proposed this to this body maybe a month ago, and Mr. Lockyer responded that there seemed to be a concern about bonds being used to pay interest. I would suggest that that be looked at further, because we're aware that school districts are able to do this in defeasing certain debts and under other circumstances. So just in conclusion and summary, if this body could look at that ability of a state entity, such as the allocation board, to be able to fund interest and loan generation costs -- and this, by the way, was done in the late 1980s, early 1990s -- I would appreciate that consideration. And then Mr. Sheehy, between you and Mr. Cook and potentially myself and others, maybe looking at the question of excessive cost hardship, which is a statutory provision that exists today. And thank you very much.

>> Thank you, Mr. Duffy. Of course, this is the Pooled Money Investment Board and not the SAB.

>> I realize that, sir.

>> But I think you made excellent points, and I think that the matters that you raise I think are more appropriately matters before the state allocation board, unless I'm misunderstanding you. I think that those -- let me just finish.

>> Sure.

>> I think that those are all worthy of important consideration. And you know my role in the state allocation board, I'd be delighted to have full policy discussion of those, and if there's any action that we can take that's appropriate, and that would be helpful, that's something we should certainly consider. I'm just not sure that your comments today are necessarily germane to this particular body, but if I'm wrong, I'll stand corrected.

>> Well, I considered standing firmly rooted in my seat, but the one thought that Mr. Lockyer did indicate, and I think there was a staff response as well, that he did not believe that that was something that was legal. That's why I was presenting it to this board, rather than to the allocation board. But I wanted to make sure I got the other points in.

So if that could be reviewed -- and I could certainly send a letter to the treasurer with that request -- but if that could be reviewed, we'd appreciate it. And thank you very much for your time and consideration.

>> Hi, my name is Tina Andolina and I'm with the Planning and Conservation League, and I want to echo a point that Nancy Steele made a few moments ago about getting some sort of guarantee in writing that organizations, if they use their own money, can get repaid. PCL has been working with our network of partners throughout the State, NGOs that work on watershed restoration, clean drinking water, et cetera, that have been frozen in this bond freeze.

We're trying to bring them the tools that we're hearing about. So for example, the private placement bonds or funds, et cetera. One of the questions we get again and again and again is okay, well, I hear, I see this letter from the Department of Finance that says we can use our own money. But then there's this period at the end of a sentence, and it doesn't say, and you will get paid back, we don't know when, but you will get reimbursed. And so we've been asking, you know, talking with folks that we know at the Department of Finance and trying to get this question addressed.

So I just want to reiterate that if we can get some clarity to that point, that for the few organizations out there that are lucky enough to either have their own money, or access to a line of credit, that they can take something to the banks and say that they will indeed get reimbursed, and the State is good for the money that their owed, that would be extremely helpful. Thank you.

>> Hello my name is Areana Katovich, I work with the Earth Island Institute. When the December 17th letter came out, my organization was \$1.2 million out-of-pocket on a restoration project in Carpinteria, and I actually traveled in the many watersheds throughout the state and here the stories, see the images. Don't have people to call in certain regions anymore.

And the overwhelming message is this is destroying the community that's been working hard to maintain our natural infrastructure, which saves us dollars in the long run. You know, hard to recreate clean water, it's better to save the clean water that you have. And that dollars are being lost. Dollars that were put on the table as matches are being lost. Opportunities to conserve land, those opportunities are being lost which were considered priorities for our natural habitat.

And so I really urge you to look at how you're going to get money back to those organizations and those efforts that have been deeply affected. And literally are losing their capacity to do the work that the state counts on them to do.

And as I said, I talk to many people across the state, and there are a couple of questions that I've been hearing from the grassroots. The first is what's the difference between contractors and grantees? And if us grantees got into contracts, with the knowing we were going to get paid back by the State, and we got into other contracts, the subcontractors to do the work, why are we not considered contractors, is the first question.

And the second is more of a comment, which is the Pooled Money Investment Board made a decision that affected us all very deeply on December 17th, and now we know who you are, so lucky you. But we need more communication about what's going on. We want to know, you know, that people are actually caring for us. The agency has done a really good job of being transparent, and we really feel like people want to help us, but it would go a long way to get more communication from you.

And honestly, I had a hard time even figuring out how to make this comment in your agenda, and so I'm probably not even commenting the right thing at the right time. But that is also very helpful. And so I would really encourage you to think about how to be more transparent, and in this public participation, and getting information out to folks. So thanks for your time, and I know you have a lot on your plate.

>> Hello. My name is Janet Falk, I'm with Mercy Health in California. We're a nonprofit housing developer, we work all over the state.

I want to tell you a little anecdote about one of our projects. We have probably 30 million of MHP dollars out there, which has leveraged probably close to \$200 million in project costs. We have a property called 10th and Mission in San Francisco, which will be finished with construction in September. We just opened it up for applications. The first day that we did so, 135 units, we had a line around the block. We accepted 3,000 applications for this housing.

This is just an indication of the great need for affordable housing in this state. I know you have a lot of -- everybody is pleading with you for their cause. I think we've heard from the bankers here today. If something doesn't start happening to move this money along, the entire affordable housing industry is going to shut down. Because we won't be able to finish the projects we have under construction, we're not going to be able to start anything new because the banks are not going to lend to us.

I know that the Department of Housing and Community Development has prepared a list of projects, and the needs for cash, month-by-month, it's not that everything has to be funded at once, it needs to be funded in the order that it's needed. And I think if you can provide some comfort that some of these -- that there would be an orderly plan to get

some of these funded, we would start loosening up the capital dollars that are needed to keep things going. So thank you.

And following me is our contractor on the project that I just spoke about.

>> Hi, my name is Chuck Pouley, and I'm the president of KL Contractors. We're a medium size contractor in San Francisco, do a lot of affordable housing. We're doing a project for Mercy right now. There's I think she said 135 units, and we've got about 130 people working out there, contractors, subcontractors, ourselves, all those people will lose their job if that project shuts down.

We've got about 700 units under construction right now in affordable housing. We've got about 700 that will start in the next 6 months, hopefully.

That equates approximately, just to give you an idea on the numbers, about every unit there's about one person that would go unemployed if it isn't built over next 12 to 15 months. So if there's 100 units project, we're putting 100 people out of work.

So it's important to understand, you know, not just what it means for housing, which is huge, but also what it means for construction projects.

The other thing on affordable housing and construction, it's very labor-intensive, so every construction dollar that is spent on that work, 50 cents of it goes to workers. So it's not as equipment-intensive or material-intensive, it's very much labor. So I appreciate your time.

>> Good afternoon, Rob Weiner with California Coalition for Rural Housing. We're an association of affordable housing developers working in more rural parts of the state. About a month ago when we were at this hearing the treasurer noted that he thought that the State might not be able to sell bonds for another year or so. So when we got the news on Friday the 13th, which was supposed to be bad news day, that the State was actually going to float \$4 billion worth of bonds, we were ecstatic.

I just wanted to commend the treasurer and his staff, as well as the other members of the PMIB, for making the bold move, the courageous move, the right move, to try to jump-start this economy, to force-feed the economy, to try to get things going again. Because I really do think that this bond issue is the kind of medicine that we need to get things going again.

We have worked very closely with HCD to identify high priority affordable housing projects that need funds within the next couple of months. Many of which are units that have already been built and are waiting to be occupied. And we look forward to meeting with the members of the PMIB in the coming weeks to share those project priorities.

Thank you.

>> Mr. Sheehy, Mr. Lujano, Mr. Chivaro, it's a pleasure to be here. May I mention that this is a crucial time for our Country, this is a crucial time for our state. I represent the California Department of Vets, we represent over 9,000 members in the State of California. I'm the GRL, the government relations liaison advocate for them. And may I mention that we're interested in the ARRA, 2009, that's the American Recovery and Reinvestment Act of 2009. And how that will affect California of course in a very positive way.

Now, what we thought we could do is that we would like to ask that the DVBEs, Disabled Veterans Business Enterprises, be factored into the equation. As you know, I sent you an e-mail about this. Essentially, the idea is that all federally funded state construction projects should, we would think, want to utilize disabled Veterans business enterprises. We're talking about construction contracts, of course.

May I mention that if I need be specific, it's a little technical here, but all construction projects over \$5,000 should have the DVBE incentive program. That program comes from the DGS, the Department of General Services, which is the lead agency.

And may I also mention that this is a good thing, in that this will encourage that -- we have 1500 DVBEs in the state of California. Not very many. However, most of those are SBEs, small business enterprise certified to do business with the State of California.

So what I'm referring to here is all projects over \$5,000 should have the DVBE incentive program mandated by DGS.

Prime bidding contractors must include a DGS defined good faith effort, as part of their bid submittal package before the fact, not after the fact, but in other words, before the bid due date.

Or optionally, and ideally, of course, is that there's a 5 percent participation goal, just 5 percent, participation goal for DVBE subs in regards to interfacing with primes. Of course, we're talking about not just contractors, but some vendors, also.

So in essence, what is in it -- one last thing, please, I know you're busy -- one last thing, we'd like to request a 5 percent bid advantage for prime contractors when they utilize DVBEs. Now, that would be -- that's an incentive, that's a pot sweetener. So essentially that's what we -- so actually, summing this up very quickly, what we'd like to know is whether the DVBE incentive program could be inculcated into a federally funded state construction project having to do with CDE, Caltrans, and DOC.

There is no reason, by the way -- just one last sentence -- there's no reason on God's green earth why we shouldn't be purchasing bonds in the state of California. They're not junk bonds, as someone alluded to earlier. I take great umbrage with that, and I think many of us in this room do, also.

I can assure you if people have -- we need to generate, we need to have a PR company that would perhaps -- a Madison Avenue type organization, that will advocate the purchase of bonds, muni bonds, and I'm talking about state bonds. There's no reason on God's green earth why we shouldn't be buying bonds. Thank you very much, gentlemen, it's my pleasure.

>> I want to thank you for your patience, because I think you've been extremely patient today with us, and I appreciate that. I represent a small disadvantaged community, I've got a Prop 50 grant to rebuild its water system. They've been under a boiled water notice for 10 years. And not to get into any of the details, there are a couple of things I think you could help a project like ours throughout the state.

Number one is a letter assuring communities that have received Prop 50 and other proposition grants that at some point they will be paid.

The reason for this is, surprisingly, there are a lot of contractors out there that have down time now that would continue to work with the assurance from the State that if you have a funding agreement with the State, you contractors will be paid at some point in the future.

And I think that's extremely valuable, and I think a lot of contractors, particularly with small projects, would proceed with those projects.

I think the other thing, your comment earlier is of critical importance, at least to a project like ours, that health and safety should have a high priority.

This 800 person community in a rural area has been under a boil water notice from the state health department for over 10 years, so those type of projects I think do deserve some consideration on a prioritizing basis. And thanks again for your time.

>> My name is Patrick Sablehouse, and I'm here on behalf of the Railyards Thomas Company development here in Sacramento, which is 450 acres that Union Pacific owned previously and sort of the number one priority project in terms of stimulus activity. My client received TOD funds and in infill moneys out of the first round of the Department of Housing's RFP for those Prop (1)(C) funds. And I know you know this already, and I know you're doing -- making the best effort to figure out how to solve this cash flow problem, but I just wanted to pick up on what Tom Sheehy had said earlier in terms of stimulus and job creation.. This project is now in the engineering stage, and the company, Thomas Company, has fronted the several hundred thousand dollars to lay out the roads and do the engineering for the water and sewer works that will go in there for this ultimately 12,000 unit development with lots of commercial and retail space, and a couple of thousand of those units will be affordable.

But when they can get underway, when the Prop (1)(C) moneys will be available, through the pooled money investment fund, whenever you're able to sell the bonds, they will have created some 3,000 jobs each year for the next 15 or 16 years, and they'll have some -- ultimately some 19,000 permanent jobs in the rail yards development itself.

So thank you, I encourage you to move forward and do what you can to solve this most difficult problem, and we all appreciate your efforts. Thank you.

>> Yes, I'd just like to take a moment, kind of a lined up pitcher, or catcher, if I may.

You've heard so much from us all the commitments that have been made throughout the state, to assure that California continues to move forward. We're all feeling obviously equally damaged by the freeze. I'm Roxanne Miller, City of San Jose. I would be remiss today if I didn't stand up and indicate to you that we are a city, as well as many cities around the state, that have made a commitment in partnership with the State of California to build that much-needed infrastructure that is going to decide our future in this state, our ability to do economic development, and grow jobs. We're very committed to that. My city, the city of San Jose, is looking first for reimbursement for projects for which we were already awarded. That covers a range from everything from affordable housing, to parks, to transportation. As well as water treatment.

We're in a position now where we made a difficult choice, our budget is way down in San Jose, but we made a choice that we had a commitment to fulfill those projects, to keep that employment moving.

And so we did, and so we're here today to indicate please consider a priority that will allow us that are keeping that commitment, that the funds will be there to reimburse us, and reimburse us quickly.

The other point to make, which a couple others have made, want to reiterate to you today, is this whole question of clarity. We have a second category of projects, if you will, that

we need to know that they're awarded, ready to go, the contractor, that if we're working on them, at some point we will be reimbursed.

And of course lastly, the third category, are those we are well aware of, where we have awards, and we have funding that has been identified, and allocated.

We hope and need to keep in mind the irony here that at the federal level those dollars are in queue, if you will, to come to California, we all have high expectations.

We would ask you, in your decision-making, to try to assure certainly that while we're dealing with our local state freeze, that we don't run the jeopardy of leaving dollars at the federal level. Particularly rail dollars, transportation dollars, housing dollars.

So keep that in mind. And again, thank you very much for your consideration.

>> Are there any other public comments? If not, I'd like to thank you for sharing with us the impact the situation has had on your project, your employees, and your clients. Hopefully, after the bond sale we'll have better news. So picking up again on item 7, we have a staff recommendation on the table.

>> Oh, Mr. Chairman, before we get there I have another question of Treasurer staff, perhaps Mr. Fowler would be available.

I understand that the Bay Area Toll Authority is going to or has in fact entered into a private placement sale of California GO bonds. Could you expand on that a little bit more, Mr. Fowler?

>> Yes, we did enter into a private placement of \$194 million with the Bay Area Transit Authority, or Bay Area Toll Authority, excuse me. They purchased the bonds, the proceeds from the bonds will be set aside to fund, directly fund, 11 transportation projects in the bay area.

>> Now, are there any more opportunities like that that we're aware of, of these private placements, that might -- we should be aware of?

>> Yes, we're talking to several different parties, some transportation agencies, some parties involved in resources area, and so we're exploring other private placements.

>> I'm sorry, I got distracted. You were exploring some other private placements; are these folks that have contacted the Treasurer to inquire about the possibility of it?

>> Yes.

>> I guess what I'm asking, Mr. Fowler, is do we see any indication that interest in those types of transactions might be picking up, or -- I think we're all interested -- obviously we're all interested in doing everything that we can, and you know, I've had some parties have contacted us and said are you turning over all the rocks, so to speak. And I know the Treasurer is working extremely hard in this regard, I just thought this was a good opportunity also for others to hear what other sort of thinking outside of the box opportunities we might have in the way of private placements. So I didn't know if there was anything more you could share --

>> Yes, I can tell you we are working with several parties, and hopefully we'll have more news to share with you at the next meeting about private placement.

>> That would be great. Thank you very much, Mr. Fowler.

>> Mr. Fowler, could you possibly summarize the recommendation one more time?

>> Sure.

>> Thank you.

>> The first recommendation was regarding the disbursement freeze. We recommend that you continue the freeze, except for the remaining portion of the 650 million that was authorized at the January 16th meeting. We're recommending that you provide an additional \$500 million upon the successful completion of our sale next week, and that those funds would be authorized by the Department of Finance for projects that they determine that have the highest priority or are in the State's best interest.

Second, we recommend that you have a special meeting the week of March 30th to consider a recommendation from the State Controller's Office and State Treasurer's Office regarding additional funds that could be made available for AB 55 loans.

Regarding the loan renewals on today's agenda, these are standard loan renewals. We are recommending that you approve them for the amounts on column G of Exhibit A to the staff report. Those loan renewals are all for the amount of the existing loans, or a decrease that has been requested by the department, or in one case I believe a small increase that's necessary to provide funding that was authorized under the Department of Finance's budget letter.

And then finally, regarding the three new loans on the agenda, we recommend that you postpone consideration of those three new loans until a subsequent meeting.

>> Mr. Chairman?

>> Yes, Mr. Sheehy.

>> One of the things that we're very interested in is the high-speed rail item, particularly because we have information, you know, we believe that there could be well over a billion, perhaps a couple billion dollars in federal money available to California if we show certain progress in that area. So I would like to say for the record that I did come to the meeting today prepared to support that item for the new loan request. I think in light of all of the testimony and the staff analysis today, I think it would be appropriate for me to wait for two weeks, and in fact see how we do on the bond sales.

But I would like to just say for the record that I would be prepared to support that today if one of my colleagues here was also, but otherwise I'd be happy to wait.

>> Thank you for your comment.

Hearing no other questions or comments, do we have a motion for approval?

>> I'll move staff recommendation.

>> I'll second the motion.

>> We have a motion and a second. All in favor?

>> Aye.

>> Motion carries. Moving on to item 8, which is public comment. Do we have any more public comment? We have someone who would like to make a comment. Come on up, please.

>> Thank you. I'm Sally Bolger, I'm a board member of the Point Reyes National Seashore Association, and we too are caught up -- sorry. Is this helpful? Wonderful. My name is Sally Bolger, I'm with the Point Reyes National Seashore Association, and we too are caught up in the bond freeze. The reason I chose this moment to speak is your question, Mr. Sheehy, about the interest in the private placement bonds. I would like to thank the treasurer's office for making that option available to us, we're very excited about it. I can say from my conversations from other organizations in the environmental community that we are –

>> One moment, please. People in the back, could you please step outside with the conversations, the meeting is still going on. Thank you.

>> Thank you. We are working very hard, you know, ourselves, and also I know with my conversations with other environmental organizations, that they also are very interested in the private placement bond option. We actually have a formal proposal into a potential funder that we have partnered with another environmental organization. So I did just want to stress that there is a tremendous amount of issue -- or interest in that, and that we are very grateful for the option. The one thing I would say, to organizations like ours and other small organizations, there's a floor of a \$5 million bond purchase that we will then have to bundle, you know, purchase this together. Anything that you can do to help us know how to accomplish that and make that happen, would be -- you know, we would be very grateful for. But again, I just wanted to respond to your question.

>> Thank you very much. Any other public comment? Hearing none, we'll move on to item 9. Before we adjourn here, we have some GO finance committees that are up next, so if you could please, if you're not staying for that meeting, could you please step outside if you're going to have any conversation. So if there's no objection, we'll adjourn.